

FINANCE COMMITTEE POLICY
Fauquier County, Virginia

Policy Title:
Debt Issuance and Management (FC-4)

Effective Date: December 10, 2009

I. **Purpose**

The purpose of the Debt Issuance and Management policy is to establish procedures for the financing of major capital projects and policies for the issuance and management of debt.

II. **Scope**

This policy applies to the financing of all General County Government and School Division capital facilities projects and the management of outstanding debt (including expenses relating to activities associated with the Volunteer Fire and Rescue and Conservation Easement Service District fund).

III. **Debt Referendum Policies**

A. **Capital Improvement Program:** The County will develop and the Board of Supervisors will adopt a multi-year plan for capital improvements.

1. All capital improvement projects will be implemented in accordance with the adopted Capital Improvement Program.

B. **Cash Financing:** The Board of Supervisors will attempt to fund not less than 10% of the Capital Improvement Program's construction costs from current financial resources.

C. **Referendum Requirements:** The County will consider the use of general obligation debt on facility construction projects or acquisitions requiring at least \$25,000,000 in debt issuance. Issues requiring the threshold amount of debt issuance shall be subject to voter referendum regardless of the financial mechanism.

1. The County will confine long-term borrowing and capital leases to capital improvements, projects, and/or equipment that cannot be financed from current financial resources.
2. The Board of Supervisors may, by majority vote, waive the referendum requirement to the extent allowed by law in order to meet a critical health and/or public safety need, or in conjunction with a court order.
3. The Board of Supervisors may authorize cash expenditures for reasonable related expenses in preparation for a referendum. These expenditures may include preliminary architectural and engineering design work needed to provide County citizens with adequate details on the referendum issue. Funding will be made in accordance with existing Finance Committee policies.
4. The County will not fund current operations from the proceeds of borrowed funds.

IV. **Debt Management Policies**

A. **Debt Capacity:** The County's debt capacity will be defined as 10% of the aggregate total of budgeted revenue in the General Fund, Volunteer Fire and Rescue Fund and the Conservation Easement Service District Fund.

1. Payments on debt issued for the County's enterprise funds (e.g. the Airport Fund and the Environmental Services Fund) shall be incorporated into the business models for those funds and not considered as part of the annual debt capacity calculation.

B. **Debt Service Fund:** The Debt Service Fund will provide for the payment of debt service, both principal and interest, on municipal debt issued to construct facilities.

1. The Fund will track debt service payments for educational and non-educational facilities, as well as public safety and conservation projects supported by the Volunteer Fire and Rescue and Conservation Easement Service District funds.
2. Debt service payments on enterprise fund debt shall be included in the respective enterprise funds' annual budgets.
3. The Debt Service Fund will be appropriated by the Board of Supervisors as part of the annual budget process, but will represent the long-term financing costs resulting from policy decisions made by the Board of Supervisors and the School Board as expressed by the Capital Improvement Program.
4. The County will make every effort to apply reductions in annual debt service payments toward future capital needs and/or debt reduction.